
Classroom Publishers Association
107 Park Washington Court, Falls Church, Virginia 22046

April 7, 1998

Hon. John McHugh
Chairman, House Subcommittee on Postal Service
Committee on Government Reform and Oversight
B349C Rayburn House Office Building
Washington, D.C. 20515

Re: Revised H.R. 22 - The Postal Reform Act of 1997

Dear Mr. Chairman:

Thank you for your kind invitation to present formal comments and recommendations on your proposed revisions to H.R.22, the Postal Reform Act of 1997.

We would like to commend you, the other members of your Subcommittee, and your excellent staff for your diligent and thorough efforts over the past 3 ½ years in conducting hearings, listening to all viewpoints and drafting legislation to achieve viable postal reform.

Our association has met with your staff on two occasions and discussed concerns we have over the future of postal rates on classroom publications. We generally endorse the approach you have taken in H.R.22, but we would like to raise three points which we think are worthy of your consideration in drafting a final bill.

I. Preferred Rate Increases

H.R.22 would limit overall preferred rates to the lesser of the levels permitted by proposed Chapter 37 of Title 39, or the levels permitted by the existing standards of 39 USC §3626(a)(1) (the Revenue Foregone Reform Act of 1993). Quite frankly, this provides little help to classroom publications.

Proposed Chapter 37 would establish "base line rates" (proposed 39 USC §3701) and then escalate them from time to time in accordance with the new rate escalation provisions (id., §§372-24). There is no provision in H.R.22 requiring that the "baseline rates" include reduced rates for the preferred subclasses (which includes classroom publications) in accordance with existing §3626(a). Section 3701 requires the Postal Service to file a request for proposed rates "in accordance with section 3622(a)." The existing rate preference provisions appear in 39 USC §3626, not 3622. Section 3701 should be revised to make clear that "baseline rates" for preferred subclasses must comply with the provisions of existing §3626 requiring the establishment of reduced rates.

H.R.22 would require the Postal Service to maintain and update the attributable and institutional cost data for preferred subclasses, but not for commercial classes. But this could prove problematic because preferred rate mailers would get no help from commercial mailers in analyzing and rebutting the Postal Service's cost testimony, for the linkage between the Postal Service's reported attributable costs and the rates paid by commercial mailers would be severed. Thus, preferred rate mailers would stand alone against the great financial and manpower resources of the Postal Service.

Instead of burdening preferred rate mailers with costly administrative proceedings and litigation over attributable costs, we recommend that the bill require the Postal Service to maintain classroom rates and other preferred rates as a fixed percentage of the corresponding regular rates.

We would urge the Subcommittee to consider language in the indexed rate provisions similar to the following:

"[The indexed rate change] for each rate category subject to section 3626(a) shall be 80% of the percentage change established for the most closely corresponding regular-rate category pursuant to section _____ of this title."

II. Public Service and Revenue Foregone Appropriations

We support the change in Section 503 which restores the authorization for public service costs, with an authorization level of \$460 million which was originally authorized to assist the Postal Service to maintain less cost-efficient service, but in actuality has not been funded since 1981, and the authorization for revenue foregone appropriations to supplement reduced rates for certain nonprofit organizations.

Hon. John McHugh
April 7, 1998
Page 3

A "public service" appropriation of approximately \$5 million would restore the traditional linkage between classroom publications and regular rate periodical mail established by Congress in 1962 in H.R.7927 which became P.L.87-873 (October 11, 1962). This bill established the statutory "classroom rate" for classroom periodicals at 60% of the regular second-class rate. In ensuing years, this differential has been all but eliminated by successive postal rate increases on classroom publications. These low-cost publications used by the school children of America to enhance their reading skills and general knowledge will be vanishing from the American educational scene unless some consideration is given to lowering their postal costs. We ask you to give this issue serious consideration.

III. One-Way Ratchet

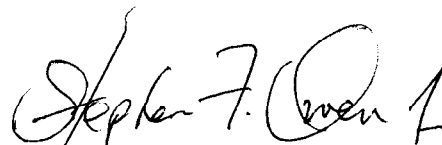
H.R.22 appears to create a "one-way ratchet" in proposed sections 39 USC §§3722(b)(1) and (2)(A). Rates go up when the Consumer Price Index (CPI) goes up, but don't go down when the CPI goes down. Moreover, when the CPI next goes up, the starting point for the next adjustment is the previous year's rates, not the previous year's costs. Over time, alternating periods of rising and falling costs could produce rate increases far in excess over the net increase in the CPI.

Since "deflation" in our economy is now possible, the adjustment mechanism should be modified to allow rates to go down as well as up.

We appreciate this opportunity to present our views and look forward to working with the Subcommittee and its staff in coming up with the best possible postal reform legislation.

With kind regards,

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen F. Owen Jr.", with a stylized flourish at the end.

STEPHEN F. OWEN, JR.
Secretary and General Counsel